Name : ....

Roll No. : ....

Invigilator's Signature : ....

CS/BBA (H), BIRM, BSCM/SEM-3/BBA-304/2011-12

2011
BUSINESS ECONOMICS

Time Allotted : 3 Hours   *Full Marks :* 70

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

GROUP – A
(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following :   10 × 1 = 10

    i)   Business economics helps business manager in

         a)   decision making

         b)   saving from risk, uncertainty

         c)   raising demand

         d)   maximizing profit.

    ii) Type of depreciation that arises out of economic factors like suppression, obsolescence and inadequacy is called

         a)   physical depreciation

         b)   functional depreciation

         c)   accidental depreciation

         d)   non-functional depreciation.

iii)   An economy is in a liquidity trap. If the central bank increases the cash reserve ratio

   a)   money supply increases

   b)   interest rate falls

   c)   aggregate income falls

   d)   none of these.

iv)   Consider the following normal form game :

Player 2

		A2	B2	C2	D2
	A1	0, 0	37, – 37	– 9, 9	4, – 4
Player 1	B1	– 87, 87	5, – 5	– 11, 11	0, 0
	C1	0, 0	10, – 10	– 17, 17	– 3, 3

This game

   a)   has a Nash equilibrium in pure strategies

   b)   has several Nash equilibria in pure strategies

   c)   does not have a Nash equilibrium in pure strategies

   d)   every strategy combination, like (A1, C2) etc. is a Nash equilibrium in pure strategies.

v) If one country is better off producing in both commodities compared to other country, Adam Smith's absolute advantage theory states trade between them is

    a) possible

    b) impossible

    c) possible, with some conditions.

vi) Dumping deals with discrimination of prices in

    a) home markets only

    b) home and foreign markets

    c) foreign markets only

    d) any market.

vii) Multicollinearity is defined as

    a) Organizational need

    b) Explanatory variables are interdependent

    c) Social needs

    d) Esteem need.

viii) A competitive firm faces a downward sloping marginal cost curve, up to output level 100. At this output its cost curve is vertical. Marginal revenue equals marginal cost at output level 20. Its profit maximizing output is

    a) indeterminate   b) zero

    c) 20   d) 100.
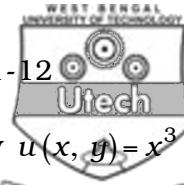
ix) A consumer's utility function is given by $u(x, y) = x^3 y^3$. The price of good X is 10 and that of good y is 10. His budget is Rs. 1,000. Suppose the government says that he can buy at most 40 units of good X, and as much of good Y as he wants. Then his utility maximizing consumption of good Y is

a) 50

b) more than 50

c) 40

d) indeterminate.

x) The method of least squares is an important method to draw

a) Regression lines

b) Progression lines

c) Sloping lines

d) Straight lines.

xi) A tariff is a

a) Tax on import

b) Quantitative restriction on import

c) One type of subsidy

d) Tax on export.

xii) Normal profit refers to the

    a)   Opportunity cost – Transport cost

    b)   Opportunity cost of entrepreneurship

    c)   Difference between MC & NP

    d) $T \to TR > TC$.

GROUP – B
(Short Answer Type Questions)
Answer any *three* of the following. $3 \times 5 = 15$

2.   Write a short note on the WTO and its main functions.

3.   Write a short note on the components of money demand in the IS-LM model.

4.   Explain why in a perfectly competitive model, economic profit is zero in the long run.

5.   What are the functions of the IMF ?

6.   Explain the difference between balance of payment and balance of trade.

7.   Explain the difference between fixed and floating exchange rates.
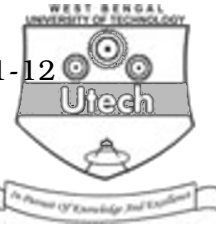
GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following.   3 × 15 = 45

8. What are the main objectives of demand forecasting ? What are the significances of demand forecasting ? What are the limitations of demand forecasting ?   5 + 5 + 5

9. Describe various phases of a business cycle. Explain how business cycles can be controlled.

10. a)   A computer chip-manufacturing firm has incurred a fixed cost of Rs. 2,30,000. It sells each unit for Rs. 400. The variable cost per unit is Rs. 65. What will be the break-even quantity and revenue ?

    b)   A company uses 75 numbers of item per month. Each unit costs the company Rs. 25. The cost of putting through each order and inventory carrying charges per month are computed at Rs. 36 and 1·5% of the average investment respectively. In what economic lots, should the item be purchased to minimize total cost ?   8 + 7

11. How exchange rates are determined in the international foreign exchange market ? Explain with the help of an example.

12. State the purpose of demand forecasting. Describe its uses and limitations in the organization. 7 + 8

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